

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS**

(SICSA)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

**GOLDSHOT, LAMB & HOBBS, INC.
CERTIFIED PUBLIC ACCOUNTANTS
3066 KETTERING BOULEVARD
DAYTON, OHIO 45439**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2 - 3
 <u>FINANCIAL STATEMENTS:</u>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 21
 <u>SUPPLEMENTARY INFORMATION</u>	
Independent Auditor's Report on Supplementary Information	22
Schedules of Revenues, Gains and Other Support	23 - 24



Certified Public Accountants

Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Society for the Improvement of Conditions for Stray Animals
(SICSA)

Opinion

We have audited the accompanying financial statements of Society for the Improvement of Conditions for Stray Animals (SICSA) (a non-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Society for the Improvement of Conditions for Stray Animals (SICSA) as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SICSA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 14 to the financial statements, an error resulting in understatement of amounts previously reported for Employee Retention Credits Receivable and Revenue as of December 31, 2020, were discovered by management of the Organization during the current year. Accordingly, amounts reported for Employee Retention Credits Receivable and Employee Retention Credits Income have been restated in the 2020 financial statements now presented. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SICSA's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SICSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SICSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Goldkrot, Jamb & Holtz, ck

September 15, 2022

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 636,132	\$ 655,637
Sponsorships Receivable (No Allowance)	725	1,183
Contributions Receivable (No Allowance)	52,292	109,412
Employee Retention Credits Receivable (No Allowance)	161,943	161,943
Investments	2,068,741	1,635,392
Pet Wants Inventory	9,467	14,046
Medical and Surgical Inventory	48,242	28,101
Prepaid Expenses	8,177	12,962
Total Current Assets	2,985,719	2,618,676
<u>PROPERTY AND EQUIPMENT - NET</u>	10,014,165	10,259,871
<u>OTHER ASSETS</u>		
Quasi-Endowment Investments - Pooled Separate Account	162,093	148,695
Unamortized Loan Fee	9,333	10,111
Contributions Receivable - Two to Five Years	19,179	20,090
	190,605	178,896
TOTAL ASSETS	\$ 13,190,489	\$ 13,057,443
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 85,157	\$ 82,492
Accrued Interest	-	36,469
Accrued Payroll and Payroll Taxes	26,277	79,455
Current Portion of Long-Term Debt	145,732	131,074
Deferred Grant Income	223,959	236,969
Deferred Sponsorship Income	9,000	3,000
Total Current Liabilities	490,125	569,459
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt (Net of Current Portion)	4,323,594	4,623,477
<u>NET ASSETS</u>		
Without Donor Restrictions	8,376,770	7,864,507
TOTAL LIABILITIES AND NET ASSETS	\$ 13,190,489	\$ 13,057,443

The accompanying notes are an integral part of these financial statements.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
Revenues, Gains and Other Support:		
Contributions	\$ 1,844,248	\$ 1,173,656
United Way and Combined Federal Campaign	8,836	7,315
Special Events (Net of Expenses of \$4,097 and \$20,297, respectively)	236,945	178,476
Program Service Fees	687,916	452,461
Investment Income	47,001	36,308
Net Realized and Unrealized Gain on Investments	216,678	115,800
Loss on Disposal of Assets	(2,660)	(2,504)
Paycheck Protection Program Loan Forgiveness (Note 10)	371,948	-
Employee Retention Credits Income (Note 14)	-	161,943
Miscellaneous Income (Expense) - Net	6,445	8,133
Net Assets Released from Restriction	62,000	1,915,703
Total Revenues, Gains and Other Support	3,479,357	4,047,291
<u>EXPENSES</u>		
Program Services	2,749,575	2,264,424
Supporting Services:		
Management and General	156,790	87,248
Fundraising	60,729	176,144
Total Expenses	2,967,094	2,527,816
<u>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	512,263	1,519,475
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Contributions	62,000	203,553
Net Assets Released from Restriction	(62,000)	(1,915,703)
<u>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</u>	-	(1,712,150)
<u>CHANGE IN NET ASSETS</u>	512,263	(192,675)
<u>NET ASSETS - BEGINNING OF YEAR</u>	7,864,507	8,057,182
<u>NET ASSETS - END OF YEAR</u>	\$ 8,376,770	\$ 7,864,507

The accompanying notes are an integral part of these financial statements.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Adoption and Prevention Services	Spay / Neuter Services	Humane Education	Total Program Services	Management and General	Fundraising	Total
	\$	\$	\$	\$	\$	\$	\$
Employee and Related Costs	744,309	212,040	112,292	1,068,641	48,969	88,531	1,206,141
Medical Supplies	61,930	-	-	61,930	-	-	61,930
Animal Supplies	17,046	-	-	17,046	-	-	17,046
Office Expenses	42,760	12,182	6,451	61,393	2,813	5,086	69,292
Veterinary Care	21,357	-	-	21,357	-	-	21,357
Spay/Neuter	-	407,139	-	407,139	-	-	407,139
Spay/Neuter - Depreciation	-	9,724	-	9,724	-	-	9,724
Maintenance	30,046	8,559	4,533	43,138	1,977	3,574	48,689
Utilities	67,321	19,179	10,157	96,657	4,429	8,008	109,094
Depreciation - Other	150,921	42,995	22,769	216,685	9,929	17,951	244,565
Volunteer Activity	6,712	-	-	6,712	-	-	6,712
Insurance	11,197	3,190	1,689	16,076	737	1,332	18,145
Miscellaneous	9,224	2,628	1,392	13,244	607	1,097	14,948
Postage	2,056	586	310	2,952	135	245	3,332
Professional Fundraising Fees	-	-	-	-	-	3,421	3,421
Newsletter	14,253	172	86	14,511	-	22,411	36,922
Advertising	4,181	4,181	4,181	12,543	-	8,362	20,905
Professional Fees and Dues	29,868	8,508	4,506	42,882	1,965	3,552	48,399
Bank Charges	8,218	2,341	1,240	11,799	541	977	13,317
Property Taxes	972	277	146	1,395	64	115	1,574
Investment Expense	-	-	-	-	8,731	-	8,731
Interest Expense	96,535	27,501	14,564	138,600	6,351	11,482	156,433
Total	\$ 1,318,906	\$ 761,202	\$ 184,316	\$ 2,264,424	\$ 87,248	\$ 176,144	\$ 2,527,816

The accompanying notes are an integral part of these financial statements.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	2021	2020
Change in Net Assets	\$ 512,263	\$ (192,675)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	318,146	257,193
Paycheck Protection Program Loan Forgiveness	(371,948)	-
Loss on Disposal of Assets	2,660	2,504
Realized and Unrealized Gain on Investments	(216,678)	(115,800)
	<u>244,443</u>	<u>(48,778)</u>
Changes in Operating Assets and Liabilities:		
Sponsorships Receivable	458	11,299
Contributions Receivable	58,031	172,593
Employee Retention Credits Receivable	-	(161,943)
Pet Wants Inventory	4,579	(6,970)
Medical and Surgical Inventory	(20,141)	(28,101)
Prepaid Expenses	4,785	(370)
Accounts Payable and Accrued Expense:	2,665	(556,160)
Accrued Interest	(36,469)	36,469
Accrued Payroll and Payroll Taxes	(53,178)	20,844
Deferred Grant Income	(13,010)	38,909
Deferred Sponsorship Income	6,000	(3,000)
Net Cash Provided (Used) by Operating Activities	<u>198,163</u>	<u>(525,208)</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(74,322)	(1,238,565)
Proceeds from Sales of Investments	261,273	406,860
Purchases of Investments	(491,342)	(383,402)
Net Cash Used by Investing Activities	<u>(304,391)</u>	<u>(1,215,107)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Proceeds from Long-Term Debt	137,353	1,252,559
Payments on Long-Term Debt	(50,630)	(30,044)
Net Cash Provided by Financing Activities	<u>86,723</u>	<u>1,222,515</u>
<u>DECREASE IN CASH AND CASH EQUIVALENTS</u>	(19,505)	(517,800)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>655,637</u>	<u>1,173,437</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 636,132</u>	<u>\$ 655,637</u>

The accompanying notes are an integral part of these financial statements.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of SICSA (the “Organization”) is presented to assist in understanding the Organization's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Organized and incorporated in 1974, SICSA’s mission is to promote the welfare and adoption of companion animals, and to nurture loving, lifelong relationships between animals and people. SICSA offers numerous animal-centered programs and services including: caring for stray and unwanted companion animals until they can be re-homed; high-quality medical care, nutrition, socialization, training and support for animals awaiting placement; expert and easily-accessible matching and adoption services; experienced and low-cost spay and neuter services for low and moderate income families in our community; professional humane education programs for children, youth and adults to help inform and promote issues around animal welfare and pet owner responsibility; and community involvement through volunteerism for young people and adults. The Organization receives support in the form of contributions from the community and various program service fees (spay/neuter, intake, and adoption).

Basis of Presentation

The financial statements of the have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SICSA’s management and the board of trustees.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SICSA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common among multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied. Employee and related costs, office expenses, maintenance, utilities, insurance, miscellaneous, postage, strategic planning, professional fees and dues, and property taxes are allocated based on time and effort.

Cash and Cash Equivalents

The Organizations cash consists of cash on deposits with banks. Cash equivalents represent money market funds, which are held in the investment portfolio for long-term purposes.

Sponsorships Receivable

Due to the nature and aging of all sponsorships receivable, management believes that all amounts will be collectible. Therefore, no allowance for doubtful accounts is considered necessary.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the years in which the promises are received. The interest rate used in computing the discount of the estimated future cash flows was 3%. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

Revenue Recognition

Revenue from contracts with customers is derived primarily from grant income and other income. Revenue is recognized upon transfer of control of the promised products or services (performance obligations) contained in the customer contract in an amount that reflects the consideration the Organization expects to receive from satisfying the performance obligations. Prior to recognizing revenue, the Organization identifies the contract, performance obligations, and transaction price, and allocates the transaction price to the underlying performance obligations.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue Recognition (continued)

The Organization's revenues from contracts with customers are from performance obligations satisfied over time and at a point in time. Revenue from contracts with customers that are satisfied over time is derived from contracts with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Event revenue is comprised of various fees charged for events hosted by the Organization. The Organization hosts several social events for which attendees purchase a ticket or pay a course fee. Revenue is recognized as each performance obligation is satisfied at a point in time.

Other revenue is recognized over time and at a point in time as the related performance obligations are satisfied.

Inventories

Inventories include dog and cat food, chews, treats and miscellaneous items for Pet Wants franchise and various medical and surgical supplies used in the veterinary clinic. All inventories are stated at the lower of cost (first-in, first-out) or market value.

Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are measured at fair value in the statements of financial position.

Unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Property and equipment is depreciated or amortized as follows:

	<u>Life (in Years)</u>	<u>Method</u>
Building	39	Straight-Line
Building Improvements	7 - 39	Straight-Line
Kennel and Other Equipment	3 - 7	MACRS/Straight-Line

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property and Equipment (continued):

The MACRS method of depreciation is not significantly different from accelerated depreciation in accordance with generally accepted accounting principles. Routine maintenance, repairs and renewals are charged to expense as incurred. The Organization capitalizes all expenditures in excess of \$500 for property and equipment. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Deferred Grant, Sponsorship and Other Income

Deferred grant income represents grant monies received in advance for spay/neuter services to be provided in a future period. Other deferred income includes sponsorship income for future fundraising events which are deferred and recognized in the period in which they relate.

Income Taxes

SICSA is exempt from income taxes under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions that require recognition or disclosure in the financial statements.

The federal tax returns of the Organization for 2020, 2019 and 2018 are subject to examination by the taxing authority, generally for three years after the due date.

Advertising Expense

Advertising costs are expensed as incurred and totaled \$8,782 and \$20,905 for the years ended December 31, 2021 and 2020, respectively.

Loan Costs

Loan costs are capitalized and amortized over the terms of the related long-term debt using a method that approximates the effective-interest method.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

2. INVESTMENTS:

Investment values as of December 31, 2021 and 2020 were as follows:

	2021			
	Cost	Net Unrealized Gains	Net Unrealized Losses	Estimated Fair Value
Mutual Funds	\$ 672,668	\$ 111,751	\$ 0	\$ 784,419
Exchange Traded Funds	438,509	80,037	0	518,546
Corporate Equity Securities	502,301	263,475	0	765,776
Total	<u>\$ 1,613,478</u>	<u>\$ 455,263</u>	<u>\$ 0</u>	<u>\$ 2,068,741</u>
	2020			
	Cost	Net Unrealized Gains	Net Unrealized Losses	Estimated Fair Value
Mutual Funds	\$ 587,678	\$ 106,672	\$ 0	\$ 694,350
Exchange Traded Funds	334,983	59,666	0	394,649
Corporate Equity Securities	401,091	145,302	0	546,393
Total	<u>\$ 1,323,752</u>	<u>\$ 311,640</u>	<u>\$ 0</u>	<u>\$ 1,635,392</u>

The Organization holds funds in a pooled separate account at the Dayton Foundation. The investments are managed in a manner similar to mutual funds whereby the Organization receives units or shares in the pool and may withdraw or purchase additional shares at net asset value. Amounts held in the pooled separate account was \$162,093 and \$148,695 at December 31, 2021 and 2020, respectively.

3. FAIR VALUE MEASUREMENTS:

Accounting standards have a single definition of fair value and a framework for measuring fair value in accordance with generally accepted accounting principles. These standards apply whenever other authoritative literature requires (or permits) certain assets and liabilities to be measured at fair value. Items carried at fair value on a recurring basis consist of trading securities. The Organization also uses fair value concepts to test various long-lived assets for impairment, in the event a triggering event has occurred.

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction, between market participants at the measurement date in the principal or most advantageous market. The Organization uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

3. FAIR VALUE MEASUREMENTS (continued):

Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data. The Organization uses valuation techniques in a consistent manner from year-to-year.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Investments: The fair values of investments categorized as Level 1 are mutual funds, common stocks and exchange traded funds. The fair values are determined by quoted prices in active exchange markets, such as the New York Stock Exchange.

Pooled separate account: Pooled separate account is held in investment contracts with the Dayton Foundation and are invested according to the stated objectives of the various accounts. The principal is not guaranteed. The pooled separate account is valued at the net asset value (NAV), which is based on the market value of its underlying investments. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value.

The following tables present the fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2021 and 2020.

Fair Value Measurements on a Recurring Basis
As of December 31, 2021

	Level 1	Level 2	Level 3	Assets at NAV	Total
Investments	\$ 2,068,741	\$ 0	\$ 0	\$ 0	\$ 2,068,741
Pooled Separate Account	0	0	0	162,093	162,093
Total	<u>\$ 2,068,741</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 162,093</u>	<u>\$ 2,230,834</u>

Fair Value Measurements on a Recurring Basis
As of December 31, 2020

	Level 1	Level 2	Level 3	Assets at NAV	Total
Investments	\$ 1,635,392	\$ 0	\$ 0	\$ 0	\$ 1,635,392
Pooled Separate Account	0	0	0	148,695	148,695
Total	<u>\$ 1,635,392</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,695</u>	<u>\$ 1,784,087</u>

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

3. FAIR VALUE MEASUREMENTS (continued):

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2021 and 2020, respectively.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
<u>December 31, 2021</u>				
Pooled Separate Account	\$ 162,093	N/A	Daily	None
<u>December 31, 2020</u>				
Pooled Separate Account	\$ 148,695	N/A	Daily	None

4. ENDOWMENT FUNDS:

As of December 31, 2021 and 2020, the Board has designated \$162,093 and \$148,695, respectively, of net assets without restriction as a general endowment to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

These funds are held at the Dayton Foundation. This fund has a spending policy of appropriating for distribution 4% of its board-designated endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of 4% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Composition of and changes in endowment funds for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Board Designated Endowment Funds, Beginning of Year	\$ 148,695	\$ 139,154
Investment Income, Net of Investment Fees	1,368	1,004
Net Appreciation	17,338	13,692
Amounts Appropriated for Expenditure	(5,308)	(5,155)
Board Designated Endowment Funds, End of Year	<u>\$ 162,093</u>	<u>\$ 148,695</u>

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

5. AVAILABILITY AND LIQUIDITY:

The following represents the Organization's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and Cash Equivalents	\$ 636,132	\$ 655,637
Investments and Pooled Separate Account	2,230,834	1,784,087
Current Receivables	<u>214,960</u>	<u>272,538</u>
Total Financial Assets	3,081,926	2,712,262
Less amounts not available to be used within one year:		
Net assets with donor restrictions	0	0
Less net assets with purpose restrictions to be met in		
Less than a year	0	0
Quasi-endowment funds	<u>162,093</u>	<u>148,695</u>
Financial assets available to meet general expenditures		
Less than a year	<u>\$ 2,919,833</u>	<u>\$ 2,563,567</u>

The Organization's goal is generally to maintain financial assets to meet approximately one year of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and various publicly traded bonds, equities and mutual funds.

6. PROPERTY AND EQUIPMENT:

	<u>2021</u>	<u>2020</u>
Land	\$ 871,756	\$ 871,756
Buildings	9,688,182	9,688,182
Building Improvements	157,217	157,217
Kennel and Vet Clinic Equipment	281,800	274,865
Other Equipment	405,515	351,379
Pet Wants Franchise	<u>38,500</u>	<u>38,500</u>
Total	11,442,970	11,381,899
Less Accumulated Depreciation	<u>(1,428,805)</u>	<u>(1,122,028)</u>
Total – Net of Accumulated Depreciation	<u>\$10,014,165</u>	<u>\$10,259,871</u>

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

7. NET ASSETS:

Changes in restricted net assets for the years ended December 31, 2021 and 2020, are as follows:

	2021		
	With Board Designations	With Donor Restrictions	Total Net Assets
Net Assets, Beginning of Year	\$ 148,695	\$ 0	\$ 148,695
Contributions/Income	18,706	62,000	80,706
Amounts Appropriated For Expenditure	(5,308)	(62,000)	(67,308)
Net Assets, End of Year	\$ 162,093	\$ 0	\$ 162,093
	2020		
	With Board Designations	With Donor Restrictions	Total Net Assets
Net Assets, Beginning of Year	\$ 139,154	\$ 1,712,150	\$ 1,851,304
Contributions/Income	14,696	203,553	218,249
Amounts Appropriated For Expenditure	(5,155)	(1,915,703)	(1,920,858)
Net Assets, End of Year	\$ 148,695	\$ 0	\$ 148,695

8. CONTRIBUTIONS:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated items and services are reflected as contributions in the accompanying statements of activities at their estimated values at date of receipt. Donated items include donated vehicles. Donated Services consist of professional fees. A substantial number of volunteers have made significant contributions of their time in furtherance of SICSA's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Donated items and services of \$17,147 and \$38,483 were recorded in the statement of activities for the years ended December 31, 2021 and 2020, respectively.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

9. PROMISES TO GIVE:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates (3%) applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Unconditional promises to give at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in Less than One Year	\$ 53,861	\$ 101,702
Receivable in Two to Five Years	20,772	33,468
Total Unconditional Promises to Give	74,633	135,170
Less Discounts to Net Present Value	(3,162)	(5,668)
Less Allowance for Uncollectible Promises Receivable	(0)	(0)
Net Unconditional Promises to Give	<u>\$ 71,471</u>	<u>\$ 129,502</u>

10. LONG-TERM DEBT:

	<u>2021</u>	<u>2020</u>
Note payable – Old Fort Bank, monthly installments of \$29,573 including interest based on Federal Home Loan Bank of Cincinnati (5 th District) plus a margin of 1.4% (4.75% at December 31, 2021 and 2020, respectfully), due December 2034, payments deferred June – July 2020 and December 2020 – January 2021 per CARES Act, secured by substantially all business assets.	\$ 4,469,326	\$ 4,519,956
Payroll Protection Program Loan – Old Fort Bank, requires monthly payments of interest at 1% beginning November 2020, principal and any remaining accrued interest due at maturity, April 2022. Loan was forgiven in February 2021.	<u>0</u> 4,469,326	<u>234,595</u> 4,754,551
Less: Current Portion	<u>145,732</u>	<u>131,074</u>
Long-term Debt - Net of Current Portion	<u>\$ 4,323,594</u>	<u>\$ 4,623,477</u>

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

10. LONG-TERM DEBT (continued):

Maturities of long-term debt are as follows:

<u>Years Ending</u>	<u>Amount</u>
2022	\$ 145,732
2023	152,807
2024	160,226
2025	168,004
2026	176,161
Thereafter	3,666,396
Total	<u>\$ 4,469,326</u>

The Organization's loan agreement with Old Fort Bank contains certain restrictions and covenants. Under these restrictions, the Organization must provide internally prepared and audited financial statements to the bank, and provide information related to capital campaign activities. At December 31, 2021 and 2020, the Company was in compliance with its financial covenants.

In April 2020, the Organization obtained a Paycheck Protection Program Loan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) from Old Fort Bank in the amount of \$234,595. The loan had a forgiveness option from the Small Business Administration (SBA) if the Organization satisfied certain requirements. Any unforgiven amount of the loan would be required to be repaid over a two-year term with interest at 1%. The Organization satisfied these requirements and the loan was forgiven by the SBA in February 2021.

In February 2021, the Organization received a second Paycheck Protection Program Loan in the amount of \$137,353 under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The loan had a forgiveness option if the Organization uses the proceeds for certain purposes. The Organization satisfied the requirements and the loan was forgiven in June 2021.

11. RETIREMENT PLAN:

The Organization has a SIMPLE individual retirement account (IRA). The plan matches employee deferrals up to 3% of compensation for eligible participants. Match expense for the years ended December 31, 2021 and 2020 were \$20,270 and \$16,820, respectively.

12. CONCENTRATIONS:

The Organization's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's uninsured balances totaled \$358,587 and \$311,232 at December 31, 2021 and 2020, respectively.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

12. CONCENTRATIONS (continued):

The Organization invests in various investment securities and pooled separate accounts. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

For the years ended December 31, 2021 and 2020, approximately 36% and 18% of the Organization's contribution revenue came from one and two donors, respectively.

13. CASH FLOW INFORMATION:

Cash paid for interest and income taxes for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest	<u>\$ 274,676</u>	<u>\$ 150,923</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

14. CORRECTION OF ERROR:

In August 2022, the Organization submitted amended payroll tax returns in order to claim the Employer Retention Credit (ERC) for the second and third quarters of 2020. The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages. In accordance with Accounting Standards Update 958-605, *Contributions Received and Contributions Made*, the Organization has restated the previously issued 2020 financial statements to include the Employee Retention Credits Receivable and Employee Retention Credits Income totaling \$161,943 as the qualifications related to 2020. Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims for the ERC made may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

15. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 15, 2022, the date the financial statements were available to be issued.

Subsequent to the year end, financial markets experienced a significant decline (including the Organizations investment balances). The Organization is actively monitoring market changes and consulting with their financial advisors to respond to these market conditions in a prudent manner.

The COVID-19 pandemic is continuing to have a substantial impact on the economy and the normal operations of most businesses and non-profit organizations. The severity of the financial impact of this pandemic on the financial position and long-term operations of the Organization is not known at this time.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Society for the Improvement of Conditions for Stray Animals
(SICSA)

We have audited the financial statements of the Society for the Improvement of Conditions for Stray Animals (SICSA) (a nonprofit organization) as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated September 15, 2022. Our audits were performed for the purpose of forming an opinion of the financial statements as a whole. The schedules of revenues, gains, and other support for the years ended December 31, 2021 and 2020, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



September 15, 2022

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

SCHEDULES OF REVENUES, GAINS AND OTHER SUPPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<u>CONTRIBUTIONS</u>		
General Donations	\$ 648,779	\$ 568,664
Capital Campaign Contributions	7,506	184,652
Grant Income	518,124	386,830
Estates and Trusts	731,839	237,063
Total Contributions (including restricted contributions of \$62,000 and \$203,553, respectively)	\$ 1,906,248	\$ 1,377,209
 <u>UNITED WAY AND COMBINED FEDERAL CAMPAIGN</u>	 \$ 8,836	 \$ 7,315
 <u>SPECIAL EVENTS</u>		
Poop Show Income	\$ 81,181	\$ 81,255
Poop Show Expense	(18,462)	(11,405)
Net Poop Show	62,719	69,850
Lift Your Leg Walk Income	50,144	27,642
Lift Your Leg Walk Expense	(9,034)	-
Net Lift Your Leg Walk	41,110	27,642
A Night to Remember Income	24,412	-
A Night to Remember Expense	(350)	-
Net A Night to Remember	24,062	-
Friends of SICSA Income	48,450	45,775
Friends of SICSA Expense	(7,012)	(5,019)
Net Friends of SICSA	41,438	40,756
Kroger Community Rewards Income	12,264	11,823
Kroger Community Rewards Expense	-	-
Net Kroger Community Rewards	12,264	11,823

See independent auditor's report on supplementary information.

**SOCIETY FOR THE IMPROVEMENT OF
CONDITIONS FOR STRAY ANIMALS
(SICSA)**

SCHEDULES OF REVENUES, GAINS AND OTHER SUPPORT (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<u>SPECIAL EVENTS (Continued)</u>		
Humane Education Income	27,065	7,213
Humane Education Expense	(1,758)	(2,290)
Net Humane Education	25,307	4,923
Other Events - Net	30,045	23,482
Total Special Events - Net	\$ 236,945	\$ 178,476
<u>PROGRAM SERVICE FEES</u>		
Spay/Neuter Income	\$ 391,132	\$ 254,800
Dog Placement	133,281	99,266
Cat Placement	100,345	78,093
Intake Fees	36,762	23,950
Microchip Fund	2,578	2,175
License Sales	58	802
Wellness Program Fees	71,334	26,640
Gift Shop (Net of Expenses)	13,310	6,613
Help Center (Net of Expenses)	2,544	(3,056)
Pet Wants Franchise (Net of Expenses)	(63,428)	(36,822)
Total Program Service Fees	\$ 687,916	\$ 452,461
<u>OTHER INCOME</u>		
Investment Income	\$ 47,001	\$ 36,308
Net Realized and Unrealized Gain on Investments	216,678	115,800
Loss on Disposal of Assets	(2,660)	(2,504)
Paycheck Protection Program Loan Forgiveness (Note 10)	371,948	-
Employee Retention Credits Income (Note 14)	-	161,943
Miscellaneous Income (Expense) - Net	6,445	8,133
Total Other Income	\$ 639,412	\$ 319,680
Total Revenues, Gains and Other Support	\$ 3,479,357	\$ 2,335,141

See independent auditor's report on supplementary information.